

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512

**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:

SAN JOAQUIN VALLEY ENERGY
CENTER

SAN JOAQUIN VALLEY ENERGY
CENTER, LLC

) **Docket No. 01-AFC-22C**

) **Order No. 04-1215-02**

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)

) **ORDER APPROVING MODIFICATIONS**
) **TO THE EMISSION REDUCTION**
) **CREDIT (ERC) OFFSET PACKAGE AND**
) **OTHER CHANGES THAT AFFECT AIR**
) **QUALITY CONDITIONS OF**
CERTIFICATION

The San Joaquin Valley Energy Center, LLC, a wholly-owned affiliate of the Calpine Corporation and owner of the San Joaquin Valley Energy Center project, filed a petition on May 3, 2004, requesting to: modify the emission reduction credit offset package to clarify assignment of offsets between the San Joaquin Valley Energy Center and the Pastoria Energy Facility, revise the calculation procedure to determine the appropriate SO₂ for PM10 interpollutant offset ratio for consistency with the San Joaquin Valley Air Pollution Control District's (District) procedures, and revise several air quality conditions of certification for conformity with the District's permits, and correct administrative errors.

The District issued its Revised Final Determination of Compliance (FDOC) on October 14, 2004.

STAFF RECOMMENDATION

The Energy Commission staff reviewed the petition and finds that it complies with the requirements of Title 20, Section 1769(a) of the California Code of Regulations and recommends approval of Calpine's petition to modify the San Joaquin Valley Energy Center project and amend related Conditions of Certification. Staff notes that there is an ongoing compliance issue regarding the use of older offset credits (pre-1990 or pre-baseline credits), U.S. EPA may comment on the ERC package, in which case the package may need to be further modified.

COMMISSION FINDINGS

Based on staff's analysis, the Energy Commission concludes that the proposed changes will not result in any significant impact to public health and safety, or the environment. The Commission finds that:

- The petition meets all the filing criteria of Title 20, section 1769(a) of the California Code of Regulations concerning post-certification project modifications;
- The modification will not change the findings in the Commission's Final Decision pursuant to Title 20, section 1755;
- The project will remain in compliance with all applicable laws, ordinances, regulations, and standards, subject to the provisions of Public Resources Code section 25525;
- The modification will be beneficial to the project owner because it will clarify the assignment of emission reduction credit offsets; and
- The change is based on information that was not satisfactorily resolved during the siting process; however, Condition of Certification AQ-C7 required that the owner remedy within 180 days of the Decision the double counting error between this project and the Pastoria Energy Facility.

CONCLUSION AND ORDER

The California Energy Commission hereby adopts Staff's recommendations and approves the following changes to the San Joaquin Valley Energy Center's Decision. New text is underlined and deleted text is shown in ~~strikeout~~:

Staff recommends the following revisions to the Conditions of Certification:

~~**AQ-C10** ERC Certificate Numbers S-1340-2, S-1280-2, N-272-2, and S-1554-2 shall be used to supply the required **NOX** offsets, unless a revised offsetting proposal is received and approved by the District, upon which this Authority to Construct shall be reissued, administratively specifying the new offsetting proposal. Original public noticing requirements, if any, shall be duplicated prior to reissuance of this Authority to Construct. The certificates identified in this condition shall be surrendered only after demonstrating compliance with Conditions **AQ-C7** and **AQ-C9**.~~

~~**Verification:** At least 60 days prior to commencing turbine first fire, the project owner shall surrender the identified ERC certificates and in the amounts shown in **AQ-105** to the District and provide documentation of that surrender to the CPM. Changes to the offsetting proposal must be provided to the District and CPM for review, public noticing, and approval.~~

~~**AQ-C11** ERC Certificate Number C-348-1, N-303-1, and S-1665-1 shall be used to supply the required **VOC** offsets, unless a revised offsetting proposal is received and approved by the District, upon which this Authority to Construct shall be reissued, administratively specifying the new offsetting proposal. Original public noticing~~

requirements, if any, shall be duplicated prior to reissuance of this Authority to Construct. The certificates identified in this condition shall be surrendered only after demonstrating compliance with Conditions ~~AQ-C7~~ and ~~AQ-C9~~.

Verification: ~~At least 60 days prior to commencing turbine first fire, the project owner shall surrender the identified ERC certificates and in the amounts shown in AQ-105 to the District and provide documentation of that surrender to the CPM. Changes to the offsetting proposal must be provided to the District and CPM for review, public noticing, and approval.~~

~~**AQ-C12** ERC Certificate Numbers C-347-4, S-1577-4, S-1578-4, S-1666-4, S-1682-4, S-1683-4, S-1684-4, S-1685-4, S-1686-4, S-1687-4, S-1688-4, S-1689-4, S-1690-4, S-1691-4, S-1692-4, S-1693-4, N-297-4, C-447-4, C-448-4, C-449-4 and N-208-4 shall be used to supply the required **PM10** offsets, unless a revised offsetting proposal is received and approved by the District, upon which this Authority to Construct shall be reissued, administratively specifying the new offsetting proposal. Original public noticing requirements, if any, shall be duplicated prior to reissuance of this Authority to Construct.~~

Verification: ~~At least 60 days prior to commencing turbine first fire, the project owner shall surrender the identified ERC certificates and in the amounts shown in AQ-105 to the District and provide documentation of that surrender to the CPM. Changes to the offsetting proposal must be provided to the District and CPM for review, public noticing, and approval.~~

AQ-C13 The project owner shall surrender SO₂ ERC certificates N-270-5 from the SJVAPCD ERC bank in the amount of no less than 10,908 pounds per quarter the following: Q1: 10,765 pounds, Q2: 10,885 pounds, Q3: 11,004 pounds, Q4: 11,004 pounds.

Verification: The project owner shall submit copies of the surrendered ERC certificates to the CPM at least 30 days prior to first fire of any combustion turbine at the SJVEC site. ~~At least 60 days prior to commencing turbine first fire, the project owner shall surrender the ERC certificates in the required amounts to the District and provide documentation of that surrender to the CPM.~~

AQ-105 Prior to operating equipment under Authority to Construct permits C-3959-1-0, C-3959-2-0, C-3959-3-0, C-3959-4-0, and C-3959-5-0, project owner shall surrender emission reduction credits for the following quantities of emissions: PM₁₀ - 1st quarter - 65,327 lb, 2nd quarter - 66,053 lb, 3rd quarter - 66,778 lb, and fourth quarter - 66,778 lb; NO_x (as NO₂) - 1st quarter - 126,982 lb, 2nd quarter - 128,393 lb, 3rd quarter - 129,804 lb, and fourth quarter - 129,804 lb; VOC - 1st quarter - 33,869 lb, 2nd quarter - 34,245 lb, 3rd quarter - 34,621 lb, and fourth quarter - 34,621 lb. Offsets shall be provided at the applicable offset ratio specified in Table 4-2 of Rule 2201 (as amended 12/19/02). ~~Before initial operation of C-3959-1-0, C-3959-2-0, C-3959-3-0, C-3959-4-0, and C-3959-5-0, emission offsets shall be~~

~~provided to offset the following increases in: PM₁₀—Q1: 66,234 lb, Q2: 66,234 lb, Q3: 66,234 lb, and Q4: 66,234 lb; NO_x (as NO₂)—Q1: 128,746 lb, Q2: 128,746 lb, Q3: 128,746 lb, and Q4: 128,746 lb; VOC—Q1: 34,378 lb, Q2: 34,378 lb, Q3: 34,378 lb, and Q4: 34,378 lb. Offsets shall be provided at the appropriate distance ratio specified in Rule 2201. [District Rule 2201]~~

Verification: The project owner shall submit copies of the surrendered ERC certificates to the CPM at least 30 days prior to first fire of any combustion turbine at the SJVEC site.

AQ-118 ERC Certificate Numbers C-347-4, C-448-4, C-449-4, N-208-4, N-297-4, S-1577-4, S-1578-4, S-1666-4, S-1683-4, S-1684-4, S-1687-4, S-1689-4, S-1690-4, S-1691-4, S-1692-4, S-1693-4, and N-270-5 (or a certificate split from these certificates) shall be used to supply the required PM₁₀ offsets, ERC Certificate Numbers S-1554-2, S-1547-2, and S-1550-2 (or a certificate split from these certificates) shall be used to supply the required NO_x offsets, and ERC Certificate Numbers C-348-1, N-303-1, S-1549-1, and S-1665-1 (or a certificate split from these certificates) shall be used to supply the required VOC offsets; unless a revised offsetting proposal is received and approved by the Energy Commission. [District Rule 2201]

Verification: The project owner shall submit copies of the surrendered ERC certificates to the CPM at least 30 days prior to first fire of any combustion turbine at the SJVEC site. The certificates identified in this condition shall be surrendered only after demonstrating compliance with Condition AQ-C9.

IT IS SO ORDERED.

Date:

STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

WILLIAM J. KEESE, Chairman